

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 IO-14 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 DODE-00 PM-07 H-03 L-03 NSC-07 PA-04 PRS-01

SS-20 USIA-15 FEA-02 DRC-01 /201 W

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R 061004Z JUN 74

FM AMEMBASSY THE HAGUE

TO /SECSTATE WASHDC 3722

INFO AMEMBASSY JAKARTA

USMISSION OECD PARIS

LIMITED OFFICIAL USE THE HAGUE 2814

E.O. 11652: N/A

TAGS: EAID, PFOR, ID, NL

SUBJECT: GON DOUBTS ABOUT DEVELOPMENT AID FOR INDONESIA

BEGIN UNCLASSIFIED

1. DEVELOPMENT AID MINISTER PRONK IS REPORTED IN PRESS AS HAVING STATED ON RADIO JUNE 1 THAT GON IS EXAMINING DURING PRESENT 4-YEAR TERM WHETHER DEVELOPMENT AID IS SUITABLE MEANS TO BRING ABOUT POLITICAL AND SOCIAL CHANGES IN INDONESIA. HE SAID THERE ARE THREE CRITERIA FOR SUCH AID: PROMOTING "A LESS CAPITALISTIC DEVELOPMENT", BENEFIT FOR LOWER INCOME GROUPS SUCH AS SMALL FARMERS AND SLUM DWELLERS, AND "RELATIONSHIP BETWEEN SOCIO-ECONOMIC AND POLITICAL DEVELOPMENT". IF IT BECOMES APPARENT AFTER THE 4 YEARS (ONE OF WHICH IS ALREADY PAST) THAT DEVELOPMENT AID INSTRUMENT IS INADQUATE FOR THIS PURPOSE, HE SAID, HOLLAND IN CONSULTATION WITH OTHER DONOR COUNTRIES WILL HAVE TO REDUCE AID; ULTIMATE CONSEQUENCE WOULD BE LIMITED OFFICIAL USE

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TERMINATION OF AID. END UNCLASSIFIED.

2. IN JUNE 5 LUNCHEON CONVERSATION WITH ECON/COMMERCIAL COUNSELOR, PRONK SAID THAT WHEN HE ASSUMED HIS DUTIES AS DEVELOPMENT AID MINISTER LAST SUMMER HE CONSIDERED THREE ALTERNATIVE APPROACHES TO AID TO INDONESIA: (1) DISCONTINUE ALTOGETHER ON GROUND THAT INDONESIA IS NOT IN "MOST NEEDY " CATEGORY, (2) CONTINUE WITHOUT STRINGS BECAUSE OF HISTORICAL DUTCH TIES WITH INDONESIA, OR (3) CONTINUE, BUT USE AID TO INFLUENCE GOI INTERNAL POLITICAL, SOCIAL AND ECONOMIC POLICIES. HE OPTED FOR COURSE 3 BUT IS NOT PARTICULARLY ENCOURAGED BY GOI PERFORMANCE SO FAR IN MOVING TOWARD SOCIO-POLITICAL REFORM. PRONK EMPHASIZED THAT GON IS READY TO GIVE GOI ANOTHER 3 YEARS TO SHOW FORWARD PROGRESS BEFORE DUTCH AID WOULD BE COMPLETELY TERMINATED. AS FAR AS POLITICAL PRISONERS ARE CONCERNED, HE IS NOT ASKING FOR OUTRIGHT RELEASE BUT ONLY THAT THEY BE BROUGHT TO TRIAL. HE SAID THAT WHILE INDONESIAN OIL RECEIPTS DID NOT FIGURE IN HIS ORIGINAL STRATEGY, THEY DO HAVE EFFECT OF MAKING INDONESIA "LESS NEEDY" AID RECIPIENT AND TO THAT EXTENT THEY STRENGTHEN GON RESOLVE TO INSIST ON REFORM AS CONDITION FOR FUTURE AID.

3. PRONK WENT ON TO COMMENT THAT TO HIS "GREAT SURPRISE" USAID HAD PREEMPTED HIM IN IDENTIFYING AND SUPPORTING PROJECTS WHICH MEET HIS CRITERIA. HE IMPLIED THAT THIS MADE IT POSSIBLE FOR GON TO WORK JOINTLY WITH US IN FINANCING SUCH PROJECTS. GOULD

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